



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 14, 2013

The Honorable John A. Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

I am writing to provide additional information regarding the extraordinary measures Treasury has undertaken in order to avoid default on the nation's obligations.

Treasury currently expects to exhaust these extraordinary measures between mid-February and early March of this year. We will provide a more narrow range with a more targeted estimate at a later date. Any estimate, however, will be subject to a significant amount of uncertainty because we are entering the tax filing season, when the amounts and timing of tax payments and refunds are unpredictable. For this reason, Congress should act as early as possible to extend normal borrowing authority in order to avoid the risk of default and any interruption in payments.

If the extraordinary measures were allowed to expire without an increase in borrowing authority, Treasury would be left to fund the government solely with the cash we have on hand on any given day. As you know, cash would not be adequate to meet existing obligations for any meaningful length of time because the government is currently operating at a deficit.

The U.S. government makes approximately 80 million separate payments per month. These include payments for Social Security; Supplemental Security Income; Medicare; Medicaid; national security needs, including military salaries, military retirement, veterans' benefits, and defense contractors; income tax refunds; federal employee salaries and retirement; law enforcement and operation of the justice system; unemployment insurance; disaster relief; goods and services sold to the government under contracts with small and large businesses; and many others. If Congress does not act to extend borrowing authority, all of these payments would be at risk. This would impose severe economic hardship on millions of individuals and businesses across the country.

It is important to point out that extending borrowing authority does not increase government spending; it simply allows the Treasury to pay for expenditures Congress has previously approved. Failure to meet those obligations would cause irreparable harm to the American economy and to the livelihoods of all Americans. Even a temporary default with a brief

interruption in payments that Congress subsequently restores would be terribly damaging, calling into question the willingness of Congress to uphold America's longstanding commitment to meet the obligations of the nation in full and on time. It should also be noted that default would increase our borrowing costs and damage economic growth and therefore add to future budget deficits, not decrease them. This is why no President or Secretary of the Treasury of either party has ever countenanced even the suggestion of default on any legal obligation of the United States.

Protecting the full faith and credit of the United States is the responsibility of Congress because only Congress can extend the nation's borrowing authority. No Congress has ever failed to meet that responsibility. It must be understood that the nation's creditworthiness is not a bargaining chip or a hostage that can be taken to advance any political agenda; it is an essential underpinning of our strength as a nation. Threatening to undermine our creditworthiness is no less irresponsible than threatening to undermine the rule of law, and no more legitimate than any other common demand for ransom.

In an address to the nation in 1987, President Reagan said, "Unfortunately, Congress consistently brings us to the edge of default before facing its responsibility. This brinkmanship threatens the holders of government bonds and those who rely on Social Security and veterans benefits. Interest rates would skyrocket. Instability would occur in financial markets and the federal deficit would soar. The United States has a special responsibility to itself and the world to meet its obligations. It means we have a well-earned reputation for reliability and credibility – two things that set us apart in much of the world."

President Obama has put forth detailed proposals to restore fiscal responsibility to the federal budget, and he strongly believes Democrats and Republicans should join together to reduce our deficits. In the meantime we must protect America's creditworthiness by ensuring that our government can pay the bills it has already incurred. Therefore, I respectfully urge Congress to meet its responsibility to the country by extending normal borrowing authority well before the risk of default becomes imminent.

Sincerely,



Timothy F. Geithner

Identical letter sent to:

The Honorable Nancy Pelosi, House Democratic Leader
The Honorable Harry Reid, Senate Majority Leader
The Honorable Mitch McConnell, Senate Republican Leader

cc: The Honorable Dave Camp, Chairman, House Committee on Ways and Means
The Honorable Sander M. Levin, Ranking Member, House Committee on Ways and Means
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Orrin G. Hatch, Ranking Member, Senate Committee on Finance